

Niche Markets Turn a Profit in Poland

By Jolanta Ganczewska and Michelle Gregory

In the past decade, Poland's 38.5 million citizens have managed to develop the most robust economy in Central Europe. Poland has attracted foreign investors, and its retail food sector is growing. Burgeoning affluence provides ample opportunity for sales of products not always available before the early 1990s.

Two U.S. products—wines and grapefruit—have carved out niches in this developing economy, benefiting from organized marketing and policy efforts.

EU Membership To Lessen Tariffs

Poland will likely join the EU (European Union) in 2004. Though EU accession means duty-free access to the Polish market for wines and grapefruit from other EU members, import duties will decrease for U.S. products as well.

U.S. wine tariffs (for wines with alcohol content of 13 percent or less) have just been reduced from 30 to 20 percent and will fall further after Poland joins the EU. U.S. grapefruit also benefited from a tariff reduction and now enjoys the 5-percent tariffs that Turkish and Israeli products are assessed. These tariffs are expected to drop further to 2.4 percent after EU tariffs become applicable in 2004.

Bottled Wine Sales Up

If it's red, medium-dry or sweet and the right price, chances are good your wine will sell in Poland. U.S. bottled wine sales have just seen dramatic gains,



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swelling 65 percent from 1999 to 2001, to \$2.5 million.

Several Polish firms have been importing wines for the past decade. Most of the 10 largest importers have their own wholesale operations and distribute throughout Poland. Importers also sell their products to independent wholesale firms with distribution channels. The largest retail stores do not yet import wines.

Though the most affluent 5-10 percent of the population can afford high-quality wines, most buy cheaper brands with prices equivalent to beer. As the population's standard of living increases, its taste for quality wines is expected to increase—rivaling popular beer and vodka products.

U.S. Wines Rank Fifth

Competition in Poland's wine market is growing each year. U.S. wine exports rank fifth in value, after France, Bulgaria, Italy and Spain.

Retail prices of a bottle of wine vary by type, country (and region) of origin, as well as perceived quality. "Word of mouth," media messages, trade shows and

tasting events all contribute to the popularity of wines. Currently, Polish consumers prefer wines they perceive as exotic, yet produced using sustainable viticulture practices, and those bottled by vintners rather than imported bulk wines bottled in-country.

Aware that consumption is expected to increase 10-15 percent yearly and that Poles enjoy exploring new products, the Wine Institute organized its first promotional events in Poland in 2002.

California wine tastings in Warsaw in May and Krakow in November featured over 300 California wines, generating positive media coverage and commercial links.

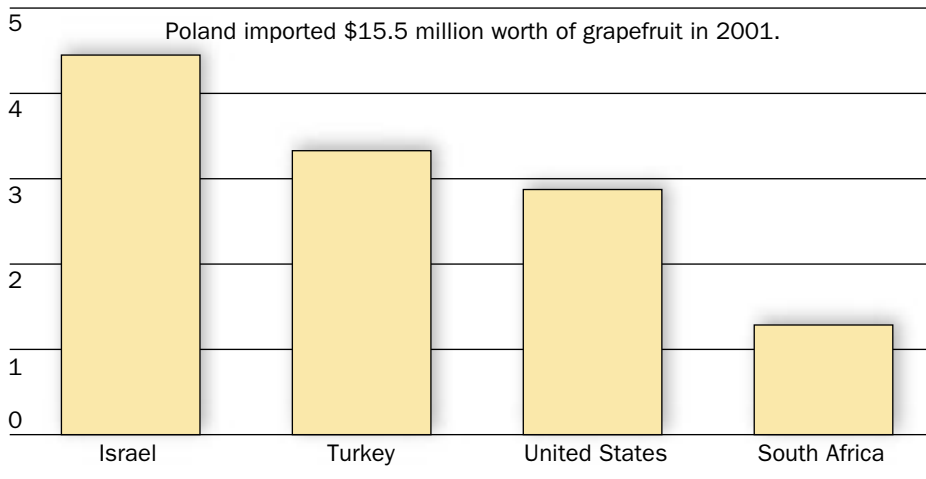
But wines haven't been the only U.S. product to benefit from organized promotional efforts.

Grapefruit Bounces Back

After tumbling sales in 2000 due to an economic downturn, U.S. grapefruit exports to Poland rebounded dramatically in 2001, showing a 60-percent recovery, up to 7,164 metric tons. The 5-percent duty (down from 15 percent) now being applied to U.S. grapefruit is expected to

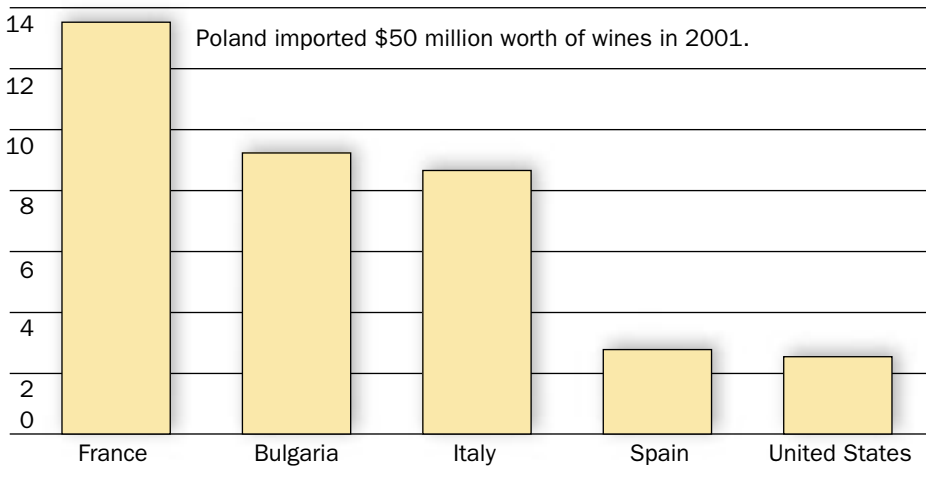
In 2001, the United States Ranked Third in Grapefruit Imports in Poland

\$ Million



In 2001, the United States Ranked Fifth in Wine Imports in Poland

\$ Million



boost sales as much as 15–20 percent a year.

Due to its scarcity in the Polish market in the 1980s, grapefruit's exotic (and healthy) qualities made it a desirable, and expensive, gift during holidays. Today, with a plentiful supply, Poles consume an average 2–3 kilos (1 kilogram = 2.2046

pounds) per capita a year of the juicy orbs, for breakfast or in salads.

Increasing consumption is due in part to the work of FDOC (the Florida Department of Citrus), which has encouraged sales of Florida citrus during winter months. From 1996 through 2000, FDOC developed promotional literature

in Polish and conducted very successful in-store tastings.

Importers Are Main Distributors

As with wine imports, importers have established distribution channels through which most retailers buy fresh produce.

Poland is also the recipient of trans-shipped grapefruit. Industry representatives estimate as much as 50 percent of the U.S. grapefruit imported into Poland comes through other European countries, mostly the Netherlands, Belgium and Germany.

There are five large importers of fruits and vegetables to the Polish market. Unlike the more restricted wine import system, some of the larger super- and hypermarket chains have begun to organize their own import and distribution channels.

One important point to remember is that Poland's fruit market is price-driven. Large retailers that dominate the fruit trade are forcing Polish importers to concentrate on the cheapest products, while at the same time requiring high quality. ■

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